



**UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM — MINORITY STAFF
SPECIAL INVESTIGATIONS DIVISION
NOVEMBER 2005**

**THE IMPACT OF PRESIDENT BUSH'S BUDGET ON
VETERANS' HEALTH CARE IN MARYLAND
AND THE 3RD CONGRESSIONAL DISTRICT**

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EXECUTIVE SUMMARY

On February 7, 2005, President Bush proposed a \$28.9 billion budget for the Department of Veterans Affairs. Four months later — after receiving criticism from Democrats in Congress and veterans organizations — Administration officials conceded that the President's budget proposal was \$2.6 billion below the level needed to meet the health care needs of veterans. To make up a significant part of the shortfall, the Administration is denying care to hundreds of thousands of veterans and proposing to charge millions more a \$250 annual enrollment fee while doubling their copayments for prescription drugs.

At the request of Rep. Benjamin L. Cardin, this report analyzes the impact these new fees would have on veterans in Maryland and in the state's 3rd Congressional District. The report finds that the proposed changes would cause an estimated 23,500 Maryland veterans, including an estimated 3,200 veterans in Rep. Cardin's district, to be denied VA health care or to drop out of the VA system, while increasing costs for thousands more. Specifically:

- **The budget proposals would deny care to thousands of veterans in Maryland and the 3rd Congressional District.** The President's budget would continue to freeze VA enrollment for "Priority 8" veterans, preventing an estimated 6,500 veterans in Maryland from enrolling to receive care. Locally, this provision prevents an estimated 900 veterans in Rep. Cardin's district from enrolling in the VA healthcare system.
- **The increased fees would force thousands of veterans in Maryland's and the 3rd Congressional District to drop out of the VA health care system.** An estimated 17,000 veterans in Maryland would be unable to pay the increased costs for VA health care proposed in the budget, causing them to drop their enrollment in the VA system. Locally, an estimated 2,300 veterans in Rep. Cardin's district would be forced drop their VA enrollment.
- **The increased fees would cost veterans in Maryland millions of dollars.** Many veterans in Maryland would remain in the VA system but be forced to pay more for their health care. These veterans would face average cost increases of \$390 annually, with some veterans paying as much as \$550 or more. The total additional cost for veterans in Maryland would be \$7.8 million annually. Increased costs for veterans in Rep. Cardin's district would be \$1 million annually.

BACKGROUND

The Department of Veterans Affairs runs the nation's largest health care system, providing care to almost five million veterans through a nationwide network of hospitals, nursing homes, and outpatient clinics. Statewide, the VA provides care to approximately 122,000 veterans.¹ Another 364,000 veterans in the state are eligible to receive care.² In Rep. Cardin's district, VA provides care to approximately 14,600 veterans, and another 46,000 veterans in the district are eligible to receive care.³

The Department of Veterans Affairs has had long-standing problems providing care for eligible veterans. In 1996, Congress passed the Veterans Health care Reform Act, which expanded eligibility for VA care to all veterans. Since the legislation was passed, enrollment in VA health care facilities has increased by almost 300%, from 2.9 million in 1996 to an estimated 7.5 million in 2003.⁴ Funding for the VA, however, increased at a much lower rate during this period, leading to shortages of capacity and long waiting times for many veterans.⁵

The President submitted his fiscal year 2006 budget to Congress on February 7, 2005. This budget proposed \$28.9 billion for veteran's health care in fiscal year 2006, a nominal increase of just 0.4% over the prior year. In real terms, the President's budget proposal was actually a reduction because it failed to keep pace with the 4.3% increase in medical inflation.⁶ The budget proposal also did not provide funds for the 5% increase in enrollment anticipated in 2005.⁷

Leading veterans groups described the budget as "tightfisted, miserly"⁸ and "woefully inadequate,"⁹ and they stated "in the end, it would seriously erode the

¹ Department of Veterans Affairs, *FY 2004 Enrollment* (Feb. 2005).

² *Id.*

³ *Id.*

⁴ *Id.* Department of Veterans Affairs, *VA Health Care: Systemwide Workload, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>).

⁵ Department of Veterans Affairs, *VA Health Care: Systemwide Obligations, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>).

⁶ Bureau of Labor Statistics, *Consumer Price Index: All Urban Consumers* (Feb. 2005).

⁷ Department of Veterans Affairs, *FY 2006 Budget Submission*, Volume 2, at 2-15 (Feb. 2005).

⁸ Disabled American Veterans, *President's Budget Bad News for Sick and Disabled Veterans* (Feb. 8, 2005).

quality of care for today's veterans and tomorrow's."¹⁰ Democrats in Congress called the budget "grossly inadequate," noting that "it would force the VA "to sustain a practice of rationing care to veterans."¹¹

On June 28, 2005, Administration officials conceded that the President's budget proposal was insufficient, announcing that the VA would fall \$2.6 billion short of the funding necessary to meet obligations and provide necessary care to veterans.¹² In response to the funding shortfall, the Administration sent Congress a "supplemental" budget request for an additional \$1.97 billion for FY 2006.¹³ The Administration also renewed its request that Congress raise over \$2 billion over the next five years from veterans receiving VA health care by denying care or increasing fees for care paid by two large classes of veterans: the so-called "Priority 7" and "Priority 8" veterans.¹⁴

Priority 7 veterans are veterans whose injuries are not service-related and whose income is below \$38,400 (\$43,900 for a veteran with a dependent).¹⁵ Priority 8 veterans are veterans whose injuries are not service related and whose incomes are higher than Priority 7 veterans.¹⁶ Together, these two classes of veterans represent 45% of the veterans currently receiving VA health care.¹⁷

One provision proposed by the Administration would continue to halt enrollment of new Priority 8 veterans, denying them access to any VA care.¹⁸ Under this proposal, which continues a policy started in January 2003, all Priority 8 veterans

⁹ Paralyzed Veterans of America, *Paralyzed Veterans of America Calls Administration's Budget Proposal Woefully Inadequate, Forcing Some Veterans to Pay for the Health Care of Others by Increasing Fees and Co-Payments* (Feb. 8, 2005).

¹⁰ Disabled American Veterans, *supra* note 8.

¹¹ Rep. Lane Evans, *Bush Budget a "Cruel Mockery" of Obligation to Care for Veterans*, Press Release (Feb. 7, 2005).

¹² *VA Faces \$2.6 Billion Shortfall in Medical Care*, Washington Post (June 29, 2005).

¹³ Office of Management and Budget, *FY 2006 Budget Amendment: Department of Veterans Affairs* (July 14, 2005).

¹⁴ *Id.* This provision was also contained in the President's Budget released in February 2005. The supplemental budget request assumes that these proposals are passed into law by Congress.

¹⁵ Department of Veterans Affairs, *Health Benefits Eligibility* (Feb. 2005).

¹⁶ *Id.*

¹⁷ Department of Veterans Affairs, *supra* note 7, at 2-15.

¹⁸ *Id.*, at 2-15.

who had enrolled in the VA system prior to January 17, 2003, would continue to receive care. But no new enrollments from Priority 8 veterans would be allowed.

A second provision proposed by Administration would charge all Priority 7 and Priority 8 veterans who are in the VA system a \$250 annual enrollment fee in order to receive care.¹⁹ This would represent a new policy for the VA, which to date has never charged veterans an enrollment fee. A final provision would increase prescription drug copayments for Priority 7 and Priority 8 veterans who are receiving VA care. The copayments for prescription drugs would more than double, increasing from \$7 to \$15 per 30-day prescription.²⁰ Taken together, these provisions would raise \$2.1 billion in new revenues over the next five years.²¹

FINDINGS

Thousands of Veterans in Maryland and the 3rd Congressional District Would Be Forced Out of VA Health Care

President Bush's proposal to increase the cost of VA care and restrict access will impact thousands of veterans in Rep. Cardin's district. First, it will mean that veterans who otherwise would have received care will no longer be able to enroll in the VA system. According to data from the Department of Veterans Affairs, the suspension of enrollment of Priority 8 veterans will, by the end of the fiscal year, deny care to over 500,000 veterans nationwide.¹² Of these 500,000 veterans who will be denied care, an estimated 6,500 reside in Maryland.¹³ This includes an estimated 900 Priority 8 veterans who would have enrolled at VA facilities in the 3rd Congressional District.²²

¹⁹ *Id.*, at 7-2.

²⁰ *Id.*, at 7-4.

²¹ Office of Management and Budget, *Fiscal Year 2006 Budget of the U.S. Government*, 351 (Feb. 2005).

¹² Committee on Veterans Affairs, Democratic Staff, *Priority 8 Veterans Barred from Enrolling for VA Health Care by State as a Result of the Administration's Continuing Policy to Prohibit New Enrollment* (2005).

¹³ *Id.*

²² VA data indicate that 13% of Priority 7 and Priority 8 veterans receiving care in Maryland reside in the 3rd Congressional District. Department of Veterans Affairs, *FY 2004 Enrollment* (Feb. 2005). The analysis assumes that the same percentage of Priority 8 veterans who are denied care live in the 3rd District.

In addition, many more veterans will lose access to care because of the new requirement that they pay an additional annual enrollment fee of \$250. Nationwide, VA estimates that 1.2 million veterans will be forced to drop out of the VA system because of these fees.²³

Thousands of these veterans are Maryland residents. Presently, there are an estimated 36,900 Priority 7 and Priority 8 veterans enrolled in the VA health care system in Maryland.²⁴ If 46% of these veterans were forced to drop out of the VA system, an estimated 17,000 enrolled Maryland veterans would no longer have access to VA care.

Many of these veterans are from the 3rd Congressional District. Locally, an estimated 2,300 veterans enrolled at VA facilities in the district would be forced to drop VA enrollment due to the new fees.

Overall, including veterans who are precluded from signing up for VA care and veterans who will be forced to drop out of the VA system because of the increased fees, an estimated 23,500 Maryland veterans, including an estimated 3,200 veterans in Rep. Cardin's district, will lose access to the VA health care system.

Veterans in Maryland and the 3rd Congressional District Who Continue to Receive VA Care Would Pay Hundreds of Dollars in Increased Costs Annually

For thousands of veterans in Maryland who remain enrolled in the VA program, there would be significant new costs under the Administration's proposal. Not only would Priority 7 and Priority 8 veterans be forced to pay the annual \$250 enrollment fee, but they would also have to pay increased copays for prescription drug fees. Nationally, the increased copays would be anticipated to cost veterans in the program an average of \$140 annually.²⁵ Overall, between the increased copays and the \$250 annual enrollment fee, Priority 7 and Priority 8 veterans who remain in the VA health care program would pay a total average increase of \$390 annually.

Many veterans would pay even more. A November 2002 report by the General Accounting Office found that among Priority 7 veterans who use VA outpatient

²³ Department of Veterans Affairs, *supra* note 7, at 2-15.

²⁴ Department of Veterans Affairs, *supra* note 1.

²⁵ The VA estimates that the increased copays will impact approximately 1.26 million veterans and that the VA will collect approximately \$176 million in copays from these veterans. *Id.*

prescription drug services, the average veteran uses 38 monthly prescriptions per year.²⁶ A Priority 7 veteran who fills this many prescriptions would pay an additional \$304 annually just for prescription drugs, plus the \$250 annual enrollment fee. Total increased costs for these veterans would be over \$550 annually.

Statewide, if the President's proposal goes into effect, an estimated 19,900 Priority 7 and Priority 8 veterans in Maryland would likely remain in the VA health care system in the state. Collectively, these veterans would pay an estimated \$7.8 million annually in increased costs for VA care.

In Rep. Cardin's district, if the President's proposal goes into effect, an estimated 2,660 Priority 7 and Priority 8 veterans would be likely to remain in the VA health care system in the state. Collectively, these veterans would pay an estimated \$1 million annually in increased costs for VA care.

CONCLUSION

This report analyzes the impact of cutbacks in VA health care proposed in President Bush's budget. The proposals would deny care to approximately 6,500 veterans in Maryland, including 900 veterans at VA facilities in Rep. Cardin's district. They would also force an estimated 17,000 veterans in Maryland, including an estimated 2,300 veterans in Rep Cardin's district, to drop their VA enrollment. The proposals would also increase the cost of health care for many veterans who remain in the program by an annual average of \$390 per veteran, costing veterans in the state almost \$8 million annually, and veterans in the district an estimated \$1 million dollars annually.

²⁶ General Accounting Office, *VA Health Care: Expanded Eligibility Has Increased Outpatient Pharmacy Use and Expenditures* (Nov. 2002).